

GAO

September 1986

FINANCIAL AUDIT

House Restaurant Revolving Fund's Financial Statements for 1985 and 1984



037083

Comptroller General
of the United States

B-114891

September 30, 1986

The Honorable George M. White
Architect of the Capitol

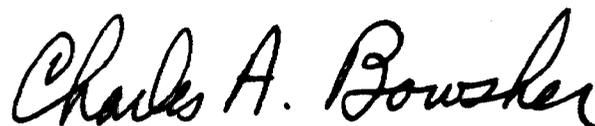
Dear Mr. White:

As requested in your letter of November 20, 1985, we have examined the balance sheets of the House of Representatives Restaurant Revolving Fund as of September 28, 1985, and September 29, 1984, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on July 16, 1986.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Restaurant Revolving Fund as of September 28, 1985, and September 29, 1984, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the accounting policies described in note 1 to the financial statements applied on a consistent basis.

This report contains our report on internal accounting controls and compliance with laws and regulations. It also includes the Fund's financial statements and accompanying notes for the fiscal years ended September 28, 1985, and September 29, 1984.

Sincerely yours,



Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of the House of Representatives Restaurant Revolving Fund for the years ended September 28, 1985, and September 29, 1984. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls, and our review of compliance with laws and regulations for the fiscal year ended September 28, 1985. (Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended September 29, 1984, is presented in GAO/AFMD-85-73, dated September 30, 1985.)

The Fund is administered by the restaurants' management under the jurisdiction of the Architect of the Capitol and the Committee on House Administration and its Subcommittee on Services. As part of our examination, we made a study and evaluation of the system of internal accounting controls for the Fund to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements.

For the purpose of this report, we have classified the significant internal accounting controls into the following categories: receipts, disbursements, receivables, inventories, and payables.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and with the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future

periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of internal accounting controls was made for the purpose described in the second paragraph. It was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any categories of controls specifically identified, and it would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting controls of the Fund taken as a whole or on any of the categories of controls we identified. However, our study and evaluation disclosed no condition that we believed to be a material weakness that would affect our expressing an opinion on the Fund's financial statements.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House of Representatives Restaurant Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet

	September 28, 1985	September 29, 1984
Assets		
Cash with U.S. Treasury	\$849,241	\$1,213,546
Petty cash and change funds	17,975	17,975
Prepaid expenses	18,481	18,194
Accounts receivable (note 2)	374,651	324,102
Inventory of food, beverages, merchandise, and supplies	384,579	322,952
Inventory of china, glassware, and silverware	270,879	257,755
Total Assets	\$1,915,806	\$2,154,524
Liabilities and Government Equity		
Liabilities		
Due vendors	\$419,855	\$390,006
Due to House Finance Office	100	17,975
Net payroll and benefits	128,090	133,162
Federal and state taxes withheld	17,767	27,588
Accrued leave	232,256	192,531
Total liabilities	798,068	761,262
Government Equity		
Contributed capital	50,000	50,000
Capitalization of china, glassware, and silverware	130,159	130,159
Operating funds:		
Balance at beginning of year	1,213,103	1,131,247
Net income (loss)	(275,524)	81,856
Balance at end of year	937,579	1,213,103
Total government equity	1,117,738	1,393,262
Total Liabilities and Government Equity	\$1,915,806	\$2,154,524

The accompanying notes are an integral part of this statement.

Statement of Operations

	Fiscal years ended			
	September 28, 1985		September 29, 1984	
	Amount	Percent of sales	Amount	Percent of sales
Sale of Food				
Regular services	\$4,678,125	65.8	\$4,695,836	68.0
Catering	2,435,242	34.2	2,212,152	32.0
Total sales (note 3)	7,113,367	100.0	6,907,988	100.0
Cost of food sold	2,778,686	39.1	2,606,737	37.7
Gross income from food sales	4,334,681	60.9	4,301,251	62.3
Operating Expenses				
Salaries and wages				
Straight time	2,439,067	34.3	2,273,666	32.9
Overtime	63,902	.9	71,420	1.0
Leave	203,323	2.9	184,845	2.7
Employee meals	49,274	.7	60,340	.9
Employee benefits	378,909	5.3	342,617	5.0
Contract labor (note 4)	647,259	9.1	561,388	8.1
Administrative (note 5)	320,504	4.5	276,707	4.0
Laundry	113,727	1.6	106,484	1.5
Paper supplies	220,567	3.1	214,429	3.1
Cleaning supplies	77,762	1.1	75,638	1.1
Miscellaneous	137,117	1.9	130,339	1.9
Replacement of china, glassware, and silverware	108,856	1.5	74,919	1.1
Commissary	84,537	1.2	76,896	1.1
Total operating expenses	4,844,804	68.1	4,449,688	64.4
Loss on Food Operations	510,123	7.2	148,437	2.1
Tobacco and Candy Stand Merchandise				
Sales (note 3)	833,348	100.0	935,781	100.0
Cost of sales	596,715	71.6	667,059	71.3
Gross income from tobacco and candy stand sales	236,633	28.4	268,722	28.7
Tobacco and candy stand labor and benefits (note 6)	63,243	7.6	63,020	6.7
Income From Tobacco and Candy Stand Sales	173,390	20.8	205,702	22.0
Vending Machine Commissions	61,209		24,591	
Net Income (Loss)	\$(275,524)		\$81,856	

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

	Fiscal years ended	
	September 28, 1985	September 29, 1984
Funds Provided		
Net income (loss) from operations	\$(275,524)	\$81,856
Decrease in accounts receivable	0	12,842
Increase in accounts payable:		
Due vendors	29,849	0
Due to House Finance Office	0	3,100
Increase in accrued leave	39,725	4,960
Decrease in inventory of food, beverages, merchandise, and supplies	0	6,917
Total funds provided (used)	(205,950)	109,675
Funds Applied		
Increase in accounts receivable	50,549	0
Decrease in accounts payable:		
Due vendors	0	20,411
Due House Finance Office	17,875	0
Net payroll and benefits	5,072	24,459
Federal and state withholding taxes	9,821	5,745
Increase in prepaid expenses	287	2,548
Increase in inventories:		
Food, beverages, merchandise, and supplies	61,627	0
China, glassware, and silverware	13,124	6,906
Total funds applied	158,355	60,069
Increase (Decrease) in Cash	\$(364,305)	\$49,606

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The Revolving Fund's fiscal year consists of thirteen 4-week periods. Fiscal years 1985 and 1984 ended on September 28, 1985, and September 29, 1984, respectively.

Revenues are recognized at the time of sale for food and tobacco, and at the time of receipt for vending machine commissions. All cash is deposited in the U.S. Treasury and credited to the House of Representatives Restaurant Revolving Fund for use in operating the various restaurant facilities.

The statements do not include the cost of equipment and furnishings acquired with funds appropriated to the Architect of the Capitol or the cost of certain benefits and services, such as staff support, space, building repairs and maintenance, utilities, garbage disposal, menus and forms printed by the Government Printing Office, and services provided by the staffs of the Committee on House Administration and its Subcommittee on Services, all of which are furnished to the Fund without charge.

Inventories are stated at cost using the first-in, first-out method of valuation.

Note 2. Accounts Receivable

The balance sheet amounts have not been aged. Accounts receivable are billed, and aging schedules prepared, at the end of each month, whereas the balance sheet shows accounts receivable balances at the end of the 52-week period used for reporting purposes. According to the restaurant accounting office records, the accounts receivable balance as of September 30, 1985, the billing date closest to the end of the Fund's fiscal year, amounted to \$316,703. This was about 1 percent less than the balance reported as of September 30, 1984. A comparison of these balances follows.

Table 1: Aging of Customer Accounts Receivable

Days outstanding	September 30, 1985		September 30, 1984	
	Amount	Percent	Amount	Percent
0 to 30	\$56,027	17.7	\$240,589	75.4
31 to 60	131,900	41.7	10,247	3.2
61 to 90	26,697	8.4	14,786	4.6
Over 90	102,079	32.2	53,422	16.8
Total	\$316,703	100.0	\$319,044	100.0

The restaurant accounting office periodically prepares a list of outstanding accounts and submits the list to the Subcommittee on Services. During the year, the staff of the Subcommittee on Services mailed collection letters to customers whose accounts were delinquent over 60 days and telephoned those whose accounts were delinquent over 90 days to encourage payment.

Note 3. Restaurant Operations

As of September 28, 1985, House Restaurant facilities consisted of (1) cafeterias in the House Annex No. 2, the Longworth Building, and the Rayburn Building, (2) the congressional dining room in the House wing of the Capitol, (3) catering services in the Longworth and Rayburn Buildings, and (4) carryouts in the Capitol, and in the Longworth, Cannon, and Rayburn Buildings. Also, there were five tobacco and candy stands (two in the Capitol and one each in the House Annex No. 2 and in the Longworth and Rayburn Buildings). The Rayburn cafeteria was closed for renovation in July 1984 and was reopened in January 1985. During fiscal year 1985, about 3,343,000 customers were served—a 0.4-percent decrease from fiscal year 1984.

A comparison of sales, commissions, and operating results for the various restaurant facilities during fiscal years 1985 and 1984 follows.

Table 2: Sales and Operating Income (Loss) by Unit

	Fiscal year 1985		Fiscal year 1984	
	Sales and commissions	Operating income or (loss)	Sales and commissions	Operating income or (loss)
Food:				
Congressional dining room (note a)	\$635,827	\$(604,815)	\$578,897	\$(554,236)
Cafeterias:				
Longworth Building (note b)	1,037,544	(210,027)	1,132,466	(64,592)
Rayburn Building (note c)	806,890	(129,084)	828,059	(110,623)
Annex No. 2 (note d)	795,085	13,820	829,470	11,082
Carryout service:				
Longworth Building	393,958	34,014	269,752	15,690
Cannon Building	727,698	100,692	744,673	158,206
Rayburn Building	527,454	63,217	532,780	107,580
Capitol	227,904	(19,852)	224,876	(953)
Catering service:				
Rayburn Building	1,495,475	183,703	1,372,631	223,932
Longworth Building	465,532	84,826	394,384	70,928
Commissary (note e)	0	1,023	0	(5,451)
Total food	7,113,367	(510,123)	6,907,988	(148,437)
Tobacco and candy stands:				
Congressional dining room	26,947	2,273	31,480	4,034
Cafeterias:				
Longworth Building	431,174	88,171	451,604	92,068
Rayburn Building	109,075	14,493	157,812	24,591
Annex No. 2	206,520	46,096	238,665	56,372
Carryout service:				
Capitol	59,632	22,415	56,220	23,214
Commissary (note e)	0	(58)	0	5,423
Total tobacco and candy stands	833,348	173,390	935,781	205,702
Vending machine commissions	61,209	61,209	24,591	24,591
Total	\$8,007,924	\$(275,524)	\$7,868,360	\$81,856

^aIncludes catering sales of \$309,486 for 1985 and \$226,923 for 1984.

^bIncludes catering sales of \$5,724 for 1985 and \$10,337 for 1984.

^cIncludes sales of food to the Rayburn catering service of \$158,585 for 1985 and \$207,807 for 1984.

^dIncludes catering sales of \$440 for 1985 and \$71 for 1984. Also includes food sales from the tobacco and candy stand.

^eServes as restaurant system's receiving and distribution unit.

Note 4. Contract Labor	Represents payments to persons working as independent contractors in catering operations on a nonscheduled basis and not as House Restaurant employees.
Note 5. Administrative Expenses	Administrative costs of \$320,504 for the fiscal year ended September 28, 1985, consist of salaries—\$261,111; leave expense—\$25,187; employee meals—\$1,483; and employee benefits—\$32,723.
Note 6. Tobacco and Candy Stand Labor	Tobacco and candy stand labor and benefits of \$63,243 for the fiscal year ended September 28, 1985, consist of straight time—\$43,273; over-time—\$15; leave expense—\$2,813, employee meals—\$515; and employee benefits—\$4,975. Also, commissary labor and benefits of \$11,652 are included in the tobacco and candy stand costs.

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